

PETITION FOR PARTIAL RECONSIDERATION AND REQUEST FOR CLARIFICATION OF CONSOLIDATED COMMUNICATIONS TELECOM SERVICES, INC.

SUMMARY

Consolidated Communications Telecom Services, Inc. ("CCTS"), by its attorneys, and pursuant to Section 1.429 of the Commission's Rules¹ hereby petitions the Commission for partial reconsideration of its recent decision in the above-captioned proceeding.² CCTS is the licensee of a paging system providing service in Central Illinois and parts of Indiana.³ CCTS seeks reconsideration of the

CCTS originally filed comments in this proceeding under the name of Consolidated Communications Mobile Services ("CCMS"). On February 14, 1996, CCTS filed <u>pro forma</u> applications to effect a corporate restructuring. After grant of these applications, CCMS was merged into CCTS, which now holds the FCC paging licenses previously held by CCMS.



⁴⁷ C.F.R. § 1.429.

Revision of Part 22 and Part 90 of The Commission's Rules to Facilitate Future Development of Paging Systems, Second Report and Order and Further Notice of Proposal Rulemaking, WT Docket 96-18, PP Docket 93-253, FCC 97-59 (released February 24, 1997) ("Second R&O"). The Second R&O was published in the Federal Register on March 12, 1997.

Commission's decision to use the Economic Areas developed by the Bureau of Economic Analysis of the Department of Commerce as the geographic licensing area for paging services in the 152-159 MHz frequency bands.

CCTS also requests that the Commission clarify that incumbent mobile telephone providers operating in the lower paging frequencies will be permitted to continue operating, receive full protection from interference from geographic licensees, and be permitted to obtain additional site licenses on a secondary basis.

BACKGROUND

CCTS is a wholly-owned subsidiary of Consolidated Communications, Inc. ("CCI"), a mid-sized communications company headquartered in Mattoon, Illinois.

CCI has a number of other subsidiaries, including Illinois Consolidated Telephone

Company. CCTS operates a paging service network at 158.1 MHz which provides service in rural and suburban areas of Illinois and Indiana. CCTS's paging operations provide service in approximately 25 counties in Illinois and Indiana.

CCTS's annual operating revenues are very low compared with the annual operating revenues of other paging service providers in the region operating at 158.1 MHz, such as Ameritech, MobileMedia, and GTE. Despite its small size, the paging service provided by CCTS is an integral part of the Central Illinois community. CCTS provides service to most of the hospital, ambulance, and fire protection organizations

CCTS's service area overlays a portion of three Major Trading Areas (Chicago, Indianapolis, and St. Louis) and nine Basic Trading Areas (Bloomington, Champaign, Danville, Decatur, Jacksonville, Mattoon, Mount Vernon, Springfield, and Terra Haute).

in its service area and, we believe, is the only provider of voice paging services to that emergency community.

On February 9, 1996 the Commission released a Notice of Proposed Rulemaking in this proceeding⁵ in which the Commission proposed to replace the current site-by-site method of licensing paging operations with a geographic licensing scheme wherein single licenses would be issued for large geographic areas, specifically the Rand McNally Commercial Atlas Major Trading Areas ("MTA").⁶

CCTS filed comments requesting the Commission to reject geographic licensing or in the alternative to adopt BTAs as the appropriate geographic licensing areas. CCTS argued principally that the selection of MTAs disadvantaged small and mid-sized rural operators such as CCTS by forcing such operators to bid against large entities for large service areas that include major metropolitan areas. CCTS noted that approximately 90% of its service area occupied a modest portion of the Chicago MTA and small portions of the Indianapolis and St. Louis MTAs.

In the <u>Second R&O</u>, the Commission decided to use the Bureau of Economic Development's Economic Areas ("EAs")⁷ as the geographic license area for paging operations in the low frequency paging bands.⁸ In reaching this decision, the

Revision of Part 22 and Part 90 of the Commission's Rules to Facilitate Future Development of Paging Systems; Implementation of Section 309(j) of the Communications Act -- Competitive Bidding, Notice of Proposed Rulemaking, FCC 96-52, February 9, 1996 ("NPRM").

Rand McNally organizes the 50 states and the District of Columbia into 47 MTAs and 487 Basic Trading Areas ("BTAs").

The Bureau of Economic Analysis of the Department of Commerce has divided the United States into 172 EAs. See Final Redefinition of the BEA Economic Areas, Department of Commerce, Docket No. 950-3020-64-5064-01, 60 Fed. Reg., 13114 (March 10, 1995).

⁸ Second R&O at ¶ 24.

Commission agreed with numerous commentors, including CCI, that MTAs are too large for numerous small and mid-sized paging systems and instead selected slightly smaller EAs. However, the Commission rejected adopting BTAs as the appropriate geographic region (as suggested by CCTS).

Although the Commission's choice of EAs is a compromise from its original plan to use MTAs as the basis for geographical licensing, this shift does not address many of the concerns of smaller or rural paging operators such as CCTS. EAs include both rural and urban areas, are relatively large in size, and thus share much more in common with MTAs than BTAs. CCTS's primary concerns are that EAs prohibit small and rural businesses from participating in paging spectrum auctions, do not correspond to the service areas that small and rural paging operators seek to serve, and will result in delays in extending service to non-urban areas.

CCTS does not believe that the Commission adequately justified its reasons for choosing EAs over BTAs as the geographic licensing area for paging in the low frequency paging bands and believes that the Commission's decision was based on an inadequate record. Accordingly, CCTS requests that the Commission reconsider its decision to use EAs as the geographic licensing area and adopt BTAs instead.

ARGUMENT

A. Use of EAs Will Prohibit Small and Rural Companies From Seeking Geographic Paging Licenses and Will Delay Service To Rural Areas

See Second R&O at ¶ 23. The Commission's analysis was confined to one paragraph and was entirely hypothetical. The Commission did not compare EAs to the size or location of existing paging operations or make any concrete finding regarding the decision to choose EAs over BTAs.

The Commission's choice of EAs as the geographic licensing area for paging operations in the low frequency paging bands will effectively prohibit small and rural companies from participating in paging license auctions and from otherwise obtaining geographic paging licenses. Sections 309(j)(3)(B), (4)(C), and (4)(D) of the Communications Act requires the Commission to ensure that its competitive bidding procedures and geographic licensing areas result in the dissemination of licenses to small businesses, rural telephone companies, and minority and women owned businesses. This requirement is intended to promote economic opportunity and competition and ensure that new and innovative services are readily available to the public. However the adoption of EAs as the geographic licensing area for paging operations in the low frequency paging bands effectively prevents small and rural businesses from participating in paging auctions, a clear violation of Section 309(j).

EAs encompass large geographic areas that include major urban areas as well as suburban and rural areas. Only large, well-financed companies will be able to afford to pay the high cost of obtaining the spectrum and building out these large areas. Smaller rural companies such as CCTS cannot compete with such companies, particularly where the small, rural companies primary interest is in obtaining additional rural and suburban territory. Thus, small and rural paging companies are effectively prohibited from participating meaningfully in a paging license auction where the geographic area is an EA.

¹⁰ 47 U.S.C. § 309(j)(3)(B), (4)(C), and (4)(D).

¹¹ 47 U.S.C. § 309(j)(3)(B).

The partial availability of designated entity concessions (bidding credits, installment payments, etc.) does not alleviate this concern. Although certain smaller and rural paging operators may qualify for some designated entity concessions, not all rural paging companies would fit within the Commission's definition of a designated entity. In fact, CCTS does not qualify as a designated entity.

The Commission's decision to allow partitioning of paging licenses also does not address the concerns of small and rural companies. Partitioning places incumbents at the mercy of larger geographic licensees to get partitioned licenses in order to expand. Larger geographic licensees have every incentive to resist partitioning of licenses until, and unless, they are certain that the partitioning will benefit them. Moreover, large geographic licensees have an incentive to prevent incumbents from expanding. The prospect of negotiating with a larger and better capitalized company for a partitioned license is a poor substitute for meaningful participation in a spectrum auction and does not satisfy the requirements of Section 309(j).

Sections 309(j)(3)(A), (4)(B), and (4)(C) require the Commission to adopt competitive bidding procedures and geographic areas that ensure rapid deployment of new technologies, products, or services to the public, including those residing in rural areas.¹² The choice of EAs as the geographic licensing area for paging services in the lower paging bands will have the opposite effect. Because of the large size of EAs and significant costs associated with rural build-out, it is likely that geographic licensees will develop their paging operations in urban areas leaving rural areas

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¹² 47 U.S.C. 309(j)(3)(A), (4)(B), and (4)(C).

unserved or underserved. Smaller rural incumbents would be more likely to provide rapid service to rural areas adjacent to their service area if they could obtain licenses for reasonably sized rural geographic areas without having to compete with large, better financed companies. Moreover, geographic licenses of EA's have no incentive to partition such rural areas. Where an incumbent may have an immediate desire to serve a rural area adjacent to its existing territory, the geographic licensee has an incentive to hold on to the area to avoid being required to buy back the license for the area at a later date.

B. <u>EAs Do Not Adequately Correspond to the Geographic Areas That Small and Rural Paging Operators Seek To Serve</u>

CCTS agrees with the Commission that the geographic definition used for paging licenses in the lower frequency paging bands should correspond as much as possible to the geographic area that paging licensees seek to serve. However, CCTS does not believe the use of EAs for the geographic paging area furthers this goal. Moreover, the Commission did not make any finding that suggests that it found EAs to be representative of actual paging service areas.

The primary problem with EAs is that, like MTAs, EAs include major urban centers of economic activity and their surrounding suburban and rural areas. While these large, primarily urban-oriented areas may be attractive to large urban paging operators, they do not reflect the actual service area or market of small and rural

¹³ NPRM at ¶ 33; <u>Second R&O</u> at ¶ 24.

paging operators. This fact is best illustrated by comparing CCTS's actual service area with the boundaries of the relevant EAs.

CCTS's paging service area covers approximately 40 counties in central Illinois and Western Indiana. Attachment 1 shows CCTS's approximate service area.

Attachment 2 shows CCTS's service area as it relates to the EAs partially covered by CCTS's service area. Of those EAs, CCTS only provides service to a majority of the area for the Champaign-Urbana EA. Nevertheless, CCTS serves counties included in or bordering on, the EAs that include three of the nation's largest metropolitan areas: Chicago, St. Louis, and Indianapolis. Clearly these areas are not at all representative of CCTS's actual service areas. Accordingly, the Commission's geographic licensing parameters would require CCTS to compete in multiple markets covering major metropolitan areas to have any hope of expanding its operations. The same is true of the many other small or mid-sized rural paging operators who's current service areas do not correspond neatly to EA boundaries.

C. <u>BTAs Are the Appropriate Geographic Area for Paging Licenses in the Lower Frequency Paging Bands</u>

CCI believes that the Commission should establish BTAs as the appropriate geographic licensing area. The use of BTAs would allow both small and large paging

¹⁴ CCI's paging service area includes portions of or borders upon as many as 7 EAs including:

^{64 -} Chicago - Gary - Kenosha

^{101 -} Peoria - Pekin

^{97 -} Springfield

^{96 -} St. Louis

^{68 -} Champaign - Urbana

^{69 -} Evansville - Henderson

^{67 -} Indianapolis

operators to piece together efficient custom service areas consistent with narrowly tailored business plans for serving well-defined geographic regions. Moreover, incumbent paging licensees would be able to pursue licenses for those geographic areas most likely to enhance their existing operations without having to compete with better financed, large companies for expensive, highly-populated regions.

CCI believes the use of BTAs could also greatly increase revenues brought in by the auction by encouraging more, smaller entities to participate in the auction and by stimulating competition for rural areas. Such rural areas might suppress the price of EAs as carriers interested in serving highly populated regions might be concerned about the build-out costs associated with such large regions. By adopting BTAs as the geographic licensing area, companies interested in serving urban and suburban areas could pursue those licenses without such concerns. Similarly rural operators could pursue licenses for rural areas without being forced to compete with urban operators. This flexibility will doubtlessly attract many more participants to the FCC's paging auctions and will result in overall higher prices paid for geographic paging licenses.

Finally, the added burden of conducting auctions and using and monitoring licenses for 477 BTA licenses as opposed to 172 EA licenses is minor. The Commission has successfully auctioned thousands of licenses in single simultaneous auctions such as the Broadband PCS D, E, and F Block Auction.

REQUEST FOR CLARIFICATION

CCTS is a licensed operator of low frequency paging band transmitters in Central Illinois dedicated to the provision of mobile telephone services. In the Second R&O, the Commission concluded that mobile telephone service provided on the low frequency paging bands should be subject to geographic licensing and competitive bidding on the same terms as paging services on these bands. However, the Commission did not appear to directly address the issue of whether incumbent mobile telephone operators will be permitted to continue operating and be fully protected from interference by geographic area licensors. The Commission specifically granted such protection to providers of Rural Radiotelephone Service and BETRS operators.

CCTS believes that the Commission intended to apply these protections to incumbent mobile telephone service providers. Out of an abundance of caution, CCTS requests that the Commission clarify that incumbent mobile telephone service providers will be permitted to continue operating on a fully protected basis and will be permitted to obtain additional site licenses on a secondary basis.

CONCLUSION

For the reasons stated herein, CCTS requests that the Commission reconsider its decision to adopt EAs as the geographic area for paging licenses in the low frequency paging bands and adopt BTAs instead. CCTS also requests that the Commission clarify that incumbent mobile telephone service providers will be

permitted to continue operating on a fully protected basis and will be permitted to obtain additional site licenses on a secondary basis.

Respectfully submitted,

CONSOLIDATED COMMUNICATIONS TELECOM SERVICES

Veronica M. Ahern

J. Breck Blalock

Nixon, Hargrave, Devans & Doyle LLP

One Thomas Circle, N.W.

Suite 700

Washington, DC 20005

(202) 457-5300

Ellyn E. Crutcher Consolidated Communications Inc. 121 South 17th Street Mattoon, IL 61938 (217) 235-4467

Its Attorneys

April 11, 1997

CERTIFICATE OF SERVICE

I, Gail M. Mullen, do hereby certify that a copy of the foregoing Petition of Consolidated Communications Telecom Services, Inc., was sent by first class United States mail, postage prepaid, or by hand delivery or facsimile where indicated by an asterisk (*), this 11th day of April, 1997 to the following:

Chairman Reed E. Hundt*
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, DC 20554

Commissioner James H. Quello*
Federal Communications Commission
1919 M Street, N.W.
Room 802
Washington, DC 20554

Commissioner Susan Ness*
Federal Communications Commission
1919 M Street, N.W.
Room 832
Washington, DC 20554

Commissioner Rachelle B. Chong*
Federal Communications Commission
1919 M Street, N.W.
Room 844
Washington, DC 20554

Dan Phythyon, Chief*
Wireless Telecommunications Bureau
Federal Communications Commission
2025 M Street, N.W.
Room 5002
Washington, DC 20554

Rosalind K. Allen, Deputy Bureau Chief* Wireless Telecommunications Bureau Federal Communications Commission 2025 M Street, N.W. Room 5002 Washington, DC 20554

David Furth, Chief*
Commercial Wireless Division
Federal Communications Commission
2025 M Street, N.W.
Room 7002
Washington, DC 20554

Mika Savir, Esq.*
Commercial Wireless Division
Federal Communications Commission
2025 M Street, N.W.
Room 7002
Washington, DC 20554

Rhonda Lien, Esq.*
Commercial Wireless Division
Federal Communications Commission
2025 M Street, N.W.
Room 7002
Washington, DC 20554

A. Thomas Carroccio
Bell, Boyd & Lloyd
1615 L Street, N.W.
Suite 1200
Washington, D.C. 20036
Counsel for A+ Communications

Frederick M. Joyce Joyce & Jacobs 1019 - 19th Street, N.W. 14th Floor, PH-2 Washington, DC 20036 Counsel for A+ Network and Metrocall

Mark A. Stachiw, Esq. AirTouch Paging 12221 Merit Drive Suite 800 Dallas, TX 75251

Carl W. Northrop, Esq.
Paul, Hastings, Janofsky & Walker
1299 Pennsylvania Avenue, N.W.
Tenth Floor
Washington, DC 20004
Counsel for AirTouch Paging, Arch
Communications Group

Dennis L. Myers
Vice President/General Counsel
Ameritech Mobile Services, Inc.
2000 West Ameritech Center Dr.
Location 3H78
Hoffman Estates, IL 60195

Timothy E. Welch Hill & Welch 1330 New Hampshire Avenue, N.W. Suite 113 Washington, DC 20036

George Y. Wheeler Koteen & Naftalin 1150 Connecticut Avenue, N.W. Suite 1000 Washington, DC 20036 Counsel for American Paging, Inc.

Robert H. Schwaninger, Jr.
Brown and Schwaninger
1835 K Street, N.W.
Suite 650
Washington, DC 20006
Counsel for Small Business in
Telecommunications

Jill Abeshouse Stern
Shaw, Pittman, Potts & Trowbridge
2300 N Street, N.W.
Washington, DC 20037
Counsel for Coalition for a Competitive
Paging Industry

John L. Crump d/b/a ACE Communications 11403 Waples Mill Road P.O. Box 3070 Oakton, VA 22124

William L. Fishman
Sullivan & Worcester LLP
1025 Connecticut Avenue, N.W.
Suite 1000
Washington, DC 20036
Counsel for Diamond Page
Partnerships I-XII, et al.

John A. Prendergast
Richard D. Rubino
Harold Mordkofsky
Blooston, Mordkofsky, Jackson &
Dickens
2120 L Street, N.W.
Washington, DC 20037
Counsel for Emery Telephone
TeleTouch Licensees, Inc.

Michael J. Shortley, III 180 South Clinton Avenue Rochester, NY 14646 Counsel for Frontier Corporation

Randolph J. May
Sutherland, Asbill & Brennan
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004-2404
Counsel for General Motors
Research Corp.

Alan S. Tilles
Meyer, Faller, Weisman & Rosenberg,
P.C.
4400 Jenifer Street, N.W.
Suite 380
Washington, DC 20015
Counsel for Glenayre Technologies,
Inc.

Jeanne M. Walsh Kurtis & Associates, P.C. 2000 M Street, N.W. Suite 600 Washington, DC 20036 Counsel for Metamora Telephone Company, Inc.

Jonathan D. Blake
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, DC 20044
Counsel for Columbia Millimeter
Communications, L.P.

Jack Richards
Keller and Heckman
1001 G Street, N.W.
Suite 500 West
Washington, DC 20001
Counsel for MobileMedia
Communications, Inc.

Thomas Gutierrez
Terry J. Romin
George L. Lyon
Lukas, McGowan, Nace & Gutierrez
1111 Nineteenth Street, N.W.
Suite 1200
Washington, DC 20036

James L. Wurtz 1275 Pennsylvania Avenue, N.W. Washington, DC 20004 Counsel for Pacific Bell

William J. Franklin, Chartered 1200 G Street, N.W. Suite 800 Washington, DC 20005-3814 Counsel for Caraway Communications

David L. Hill
Audrey P. Rasmussen
O'Connor & Hannan, L.L.P.
1919 Pennsylvania Avenue, N.W.
Suite 800
Washington, DC 20006-3483
Counsel for Paging Partners Corp. and
Source One Wireless, Inc.

Judith St. Ledger-Roty
Reed, Smith, Shaw & McClay
1301 K Street, N.W.
Suite 1100 - East Tower
Washington, DC 20005
Counsel for Paging Network, Inc.

Katherine M. Holden Wiley, Rein & Fielding 1776 K Street, N.W. Washington, DC 20006 Counsel for PCIA

John D. Pellegrin 1140 Connecticut Avenue, N.W. Suite 606 Washington, DC 20036

Amelia L. Brown
Henry A. Solomon
Haley, Bader & Potts, P.L.C.
4350 North Fairfax Drive
Suite 900
Arlington, VA 22203-1633
Counsel for Personal Communications,
Inc., Pass World, Inc., Western Radio
Services Co.

Jerome K. Blask Gurman, Blask & Freedman, Chartered 1400 Sixteenth Street, N.W. Suite 500 Washington, DC 20036 Counsel for ProNet, Inc.

Robert L. Hoggarth
Personal Communications Industry
Association
500 Montgomery Street
Suite 700
Alexandria, VA 22314

Raymond C. Trott, P.E. Trott Communications Group, Inc. 1425 Greenway Drive Suite 350 Irving, TX 75038

Richard S. Becker & Associates 1915 Eye Street, N.W. Eighth Floor Washington, DC 20006 Ellen S. Mandell
Pepper & Corazzini, L.L.P.
1776 K Street, N.W.
Washington, DC 20006
Counsel for Priority Communications

Lawrence M. Miller
Schwartz, Woods & Miller
1350 Conneticut Avenue, N.W.
Suite 300
Washington, DC 20036
Counsel for Datafon II< Inc. and
Zipcall Long Distance

Caressa D. Bennet
Michael R. Bennet
Bennet & Bennet, PLLC
1831 Ontario Place, N.W.
Suite 200
Washington, DC 20009
Counsel for Border to Border
Communications, Inc.

Joe D. Edge
Tina M. Pidgeon
Drinker, Biddle & Reath
901 - 15th Street, N.W.
Washington, DC 20005
Counsel for Puerto Rico Telephone
Company

Kenneth E. Hardman Moir & Hardman 2000 L Street, N.W., Suite 512 Washington, DC 20036-4907 Counsel for United Paging Resources

Laura H. Phillips
Christina H. Burrow
Dow, Lohnes & Albertson
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, DC 20036-6802
Counsel for Sunbelt Transmission
Corp. and Snider Comms. Corp.

William Ciuffo John Sieber Comp Comm, Inc. 227 Laurel Road, Suite 100 Voorhees, NJ 08043-2331

Larry Shaefer, President SMR Systems, Inc. 4212 Mt. Vernon Houston, TX 77006-5416

Lloyd D. Huffman Huffman Communications 2829 W. 7th Ave., Box 1753 Corsicana, TX 75151-1753

Brian G. Kiernan, Vice Pres. InterDigital Communications Corp. 781 Third Avenue King of Prussia, PA 19406

Mary McDermott U.S. Telephone Association 1401 H Street, N.W. Suite 600 Washington, DC 20005

Lucille M. Mates 140 New Montgomery Street Room 1526 San Francisco, CA 94105 Counsel for Pacific Bell

Margarget E. Garber 1275 Pennsylvania Avenue, N.W. Washington, DC 200004 Counsel for Pacific Bell James F. Rogers
Kevin C. Boyle
Latham & Watkins
1001 Pennsylvania Avenue, N.W.
Suite 1300
Washington, DC 20004
Counsel for PageAmerica Group, Inc.
and MobileMedia Communications,
Inc.

David C. Jatlow Young & Jatlow 2300 N Street, N.W. Suite 600 Washington, DC 20037 Counsel for AT&T Wireless Services

Robert R. Rule
Rule Radiophone Service, Inc. and
Robert R. Rule d/b/a Rule
Communications
2232 Dell Range Boulevard
Cheyenne, WY 82009

Lisa M. Zaina, Esq.
OPASTCO
21 Dupont Circle, N.W.
Suite 700
Washington, DC 20036

Dallas Vanderhoof General Manager TeleBEEPER of New Mexico, Inc. P.O. Box 25161 Albuquerque, NM 87125 Heather Hippsley, Esq.
Federal Trade Commission
Bureau of Consumer Protection
6th & Pennsylvania Avenue, N.W.
Room 200
Washington, DC 20580

Steven S. Seltzer Personal Communications, Inc. P.O. Box One Altoona, PA 16603-0001

Ellen S. Mandell Pepper & Corazzini, LLP 1776 K Street, N.W. Washington, DC 20006 Counsel for PagePrompt U.S.A.

Sail M. Mullen*

*Hand Delivery



